

FairPoint Communications, Inc.

CAF Phase II
Transition Funding
Implementation

October 7, 2015

CAF Transition & FairPoint ILECs

CAF II ROFR was declined	CAF II ROFR was accepted and model-based support is greater than frozen support	CAF II ROFR was accepted and model-based support is less than frozen support
Colorado Kansas	Illinois Maine Massachusetts New Hampshire Vermont Virginia	Alabama Florida Missouri New York Ohio Oklahoma Pennsylvania Washington

(In **highlighted** states, FairPoint ILECs are rate-of-return carriers under FCC rules)

Where ROFR Accepted and Support Increases:

- Frozen Support ended effective as of Dec. 31, 2014, FairPoint will receive increased model-based support under CAF Phase II, retroactive to Jan. 1, 2015
- **ICC Transition calculation governed by 47 CFR 51.917(d)(1)(iii) and (iv):**
 - (iii) Beginning July 1, 2014, a Rate-of-Return Carrier's eligible recovery will be equal to the 2011 Rate-of-Return Carrier Base Period Revenue multiplied by the Rate-of-return Carrier Baseline Adjustment Factor less:
 - (A) The Expected Revenues from Transitional Intrastate Access Service for the year beginning July 1, 2014, reflecting forecasted demand multiplied by the rates in the rate transition contained in §51.909 (including the reduction in intrastate End Office Switched Access Service rates), adjusted to reflect the True-Up Adjustment for Transitional Intrastate Access Service for the year beginning July 1, 2012;
 - (B) The Expected Revenues from interstate switched access for the year beginning July 1, 2014, reflecting forecasted demand multiplied by the rates in the rate transition contained in § 51.909, adjusted to reflect the True-Up Adjustment for Interstate Switched Access for the year beginning July 1, 2012; and
 - (C) Expected Net Reciprocal Compensation Revenues for the year beginning July 1, 2014 using the target methodology required by § 51.705, adjusted to reflect the True-Up Adjustment for Reciprocal Compensation for the year beginning July 1, 2012.
 - (D) An amount equal to True-up Revenues for Access Recovery Charges for the year beginning July 1, 2012.
 - (iv) Beginning July 1, 2015, and for all subsequent years, a Rate-of-Return Carrier's eligible recovery will be calculated by updating the procedures set forth in paragraph (d)(1)(iii) of this section for the period beginning July 1, 2014, to reflect the passage of an additional year in each subsequent year.

Where ROFR Accepted and Support Decreases:

- FairPoint receives CAF II and Transition Funding effective Jan. 1, 2015
- No further CAF Phase I Frozen Support as of Jan. 1, 2015
- FairPoint receives a form of Transition Funding for the period between January 1 and July 31, which is 100% of the difference between Frozen Support and CAF Phase II support
- Starting August 1, 2015, Transition Funding is reduced to 75% of the difference between Frozen Support and CAF Phase II Support
- ICC Transition calculation governed by 47 CFR 51.917(d)(1)(iii) and (iv) (see previous page)

Definitions Employed in the ICC Transition Calculation

- 2011 Rate-of-Return Carrier Base Period Revenue is defined in 47 CFR 51.917(b)(7):

2011 Rate-of-Return Carrier Base Period Revenue is the sum of:

- (i) 2011 Interstate Switched Access Revenue Requirement;
- (ii) Fiscal Year 2011 revenues from Transitional Intrastate Access Service received by March 31, 2012; and
- (iii) Fiscal Year 2011 reciprocal compensation revenues received by March 31, 2012, less Fiscal Year 2011 reciprocal compensation payments paid and/or payable by March 31, 2012

- Rate-of-return Carrier Baseline Adjustment Factor is defined in 47 CFR 51.917(b)(3):

The Rate-of-Return Carrier Baseline Adjustment Factor, as used in calculating eligible recovery for Rate-of-Return Carriers, is equal to ninety-five (95) percent for the period beginning July 1, 2012. It is reduced by five (5) percent of its previous value in each subsequent annual tariff filing.

The Bureau Should Clarify that Phase II Commenced as of Jan. 1, 2015

- Impact on calculation of Eligible Recovery for ROR Carriers
 - Especially for pooling carriers, calculations are complicated by transition funding that changes Aug. 1st (7 months into CY 2015, 1 month into tariff year)
- Impact on Local Rate Benchmark reporting
- Impact on CAF performance obligations
 - CAF II Obligations – locations, speed, latency, etc.
 - CAF I Obligations – where spending is permitted